
Reports and Testimony: September 1994

Highlights

Food Safety

In two reports, GAO finds that improvements are needed to monitor and control chemicals in the nation's food supply. Testing meat and poultry for unsafe chemical residues is not comprehensive and the methodology used to select samples is flawed; meanwhile, fundamental weaknesses exist in federal programs to monitor chemicals in food. Page 2.

Social Security

The number of children receiving Social Security disability benefits has more than doubled during the last four years, following changes in eligibility requirements for children with mental impairments. Although the number of children receiving benefits for "behavior problems" is growing, most disability awards to the mentally impaired go to mentally retarded children. Page 23.

Human Experimentation

Although precise information and numbers may never be known, a GAO survey of hundreds of radiological, chemical, and biological experiments done by the Defense Department and other agencies since World War II shows that as many as 50,000 people were exposed to such hazardous substances as radiation, blister and nerve agents, biological agents, and LSD. Page 33.

Contents

Reports and Testimony: September 1994

Agriculture and Food	2
Budget and Spending	3
Civil Rights	4
Employment	4
Energy	5
Environmental Protection	7
Financial Institutions	10
Financial Management	12
Government Operations	15
Health	20
Income Security	23
Information Management	24
International Affairs	25
Justice and Law Enforcement	27
National Defense	28
Natural Resources	34
Science, Space, and Technology	36
Social Services	37
Tax Policy and Administration	37
Transportation	38
Veterans Affairs	39
Special Publications	41

Reports and Testimony: September 1994

Agriculture and Food

Food Safety:

USDA's Role Under the National Residue Program Should Be Reevaluated

GAO/RCED-94-158, Sept. 26 (71 pages).

The Agriculture Department's (USDA) National Residue Program, which monitors chemical residues in meat and poultry, has weaknesses in testing and sampling as well as in the support it receives from regulatory agencies. USDA does not adjust its testing of imported meat and poultry in response to known problems with heavy metal residues or animal drug and pesticide compounds not allowed in the United States but used by exporting nations. Thus, USDA does not know the extent to which potentially harmful residues may or not affect the meat and poultry supply. In addition, because thousands of agricultural chemicals and new compounds are introduced annually, USDA may not always have complete information on chemical residues or the potential hazards such residues may present to consumers. These weaknesses could be overcome if some processes were strengthened. Any improvements made, however, would not address the basic problem with the program: reliance on detecting residues at the end of the production process to ensure safety rather than on preventing these problems from occurring in the first place.

Food Safety:

Changes Needed to Minimize Unsafe Chemicals in Food

GAO/RCED-94-192, Sept. 26 (115 pages).

GAO identified five basic weaknesses in the overall federal structure and systems for monitoring chemicals in food. First, fragmentation of responsibility among multiple agencies results in inefficiencies and gaps in federal monitoring activities. Second, chemicals posing similar risks may be regulated differently under different laws. Third, federal agencies rely on programs to detect unsafe chemicals in food rather than preventing these problems from developing. Fourth, agencies lack strong enforcement authorities to adequately deter or penalize violators. Fifth, similar problems exist for imported foods, over which the United States has even less control. GAO summarized this report and the preceding one (GAO/RCED-94-158) in testimony before Congress; see:

Food Safety: Fundamental Changes Needed to Improve Monitoring of Unsafe Chemicals in Food, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Operations. GAO/T-RCED-94-311, Sept. 28 (seven pages).

Budget and Spending

Budget Object Classification: Origins and Recent Trends

GAO/AIMD-94-147, Sept. 13 (74 pages).

Object classification, one of several ways to present budgetary information, is concerned with the personal and contractual services obtained, capital assets acquired, and other charges and payments made by government. This report provides information on budget object classes. Specifically, GAO defines object classifications; discusses their origins, development, and use; presents historical trend data; and comments on recent actual and proposed uses of object class data to lower federal administrative costs.

Credit Reform: Appropriation of Negative Subsidy Receipts Raises Questions

GAO/AIMD-94-58, Sept. 26 (24 pages).

As part of GAO's investigation of several highly technical issues related to implementation of the Federal Credit Reform Act of 1990, this report examines agencies' budgetary treatment of negative subsidies—in which receipts exceed outlays—and whether this treatment could harm program management and budgeting. GAO discusses how the Office of Management and Budget has treated negative subsidies of the Federal Housing Administration's Mutual Mortgage Insurance Fund and the Export-Import Bank in the budget. GAO also notes the budget treatment of the Government National Mortgage Association's negative subsidy receipts. Further, the report discusses an alternative to appropriating the present value of estimated negative subsidy receipts as well as the additional legislative requirements imposed on FHA's Mutual Mortgage Insurance program.

Testimony

Budget Issues: Scorekeeping for Acquisition of Federal Buildings, by Paul L. Posner, Director of Budget Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-AIMD-94-189, Sept. 20 (15 pages).

This testimony focuses on H.R. 2680, which would change the current budget scorekeeping rules for the acquisition of federal buildings. GAO discusses (1) the conceptual basis for the existing scorekeeping rules and (2) options for changing the way that the government finances the acquisition of public buildings.

Civil Rights

Equal Employment Opportunity: Displacement Rates, Unemployment Spells, and Reemployment Wages by Race

GAO/HEHS-94-229FS, Sept. 16 (32 pages).

Despite many federal efforts to provide equal employment opportunities regardless of race, such as the Civil Rights Act of 1991, economic outcomes for African Americans persistently lag those of whites in the United States. This fact sheet examines data from the Equal Employment Opportunity Commission to determine whether African Americans were uniquely affected by the 1990-91 recession and whether the emphasis on overall progress in minority employment has caused many employers to overlook the specific employment situation of African Americans. GAO compares (1) the length of time displaced African American workers were unemployed with unemployment spells for displaced workers of other racial groups and (2) the reemployment wages of displaced African Americans with those of displaced whites and Hispanics. In addition, GAO examines these factors for the years 1982 to 1991 to see how they varied during an entire business cycle.

Employment

Testimony

Multiple Employment Training Programs: Basic Program Data Often Missing, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Senate Committee on Labor and Human Resources. GAO/T-HEHS-94-239, Sept 28 (20 pages).

By GAO's count, at least 154 federal programs run by 14 agencies provide about \$25 billion in employment training assistance. To get the most from this investment, administrators need to know how well their programs are working to help participants transition into the workforce. However, GAO testified that agencies lack the information they need to adequately track who is served or determine program results. Most agencies do not collect information on participant outcomes nor do they conduct studies of program effectiveness or impact. These are necessary to know whether their programs are providing assistance that helps participants get jobs or whether the participants would likely have found the same types of jobs without federal assistance. Further, GAO also found that agencies often lacked such basic data as the number of participants served or their demographic characteristics.

Energy

Energy Management: Department of Energy's Efforts to Manage Overtime Costs Have Been Limited

GAO/RCED-94-282, Sept. 27 (18 pages).

The Energy Department's (DOE) direct overtime costs for federal employees almost doubled from \$15.5 million to \$30.4 million in 1992. DOE has paid overtime for everything from carpet installation to the transport and escort of special nuclear materials. DOE's efforts to manage overtime and minimize costs have been minimal. First, written justifications for overtime are often vague and reviewed only by the employees' immediate supervisors. Thus, some questionable overtime, such as driving DOE officials to the airport from their homes on weekends, continues without scrutiny to ensure that this work is essential or cost-effective. Second, although federal agencies may require that employees take compensatory time rather than receive pay for overtime, DOE does not require them to take compensatory time. Finally, contrary to DOE's policy, employees' annual leave is not always planned to minimize the use of overtime. In some cases, employees took annual leave, worked several regular hours, and then worked overtime after regular working hours.

Nuclear Waste: Comprehensive Review of the Disposal Program Is Needed

GAO/RCED-94-299, Sept. 27 (18 pages).

Recognizing that problems exist with its program to permanently dispose of highly radioactive waste, the Energy Department (DOE) has recently undertaken several initiatives, including a review of past criticisms of the program, a financial and management evaluation of the repository project, and a public inquiry into the continued storage of waste by utilities at their nuclear power reactors after January 1988. Taken together, these efforts are too narrow in scope and are not objective enough to provide the thoughtful and thorough program evaluation that is needed. Many Members of Congress have called for a broad-based independent review of nuclear waste management, including the management of highly radioactive waste from civilian nuclear power reactors. This report discusses why GAO continues to believe that a comprehensive independent review of the disposal program and the basic policies guiding the program is needed. Without a comprehensive independent review of the disposal program and its policies, millions—if not billions—of dollars could be wasted in implementing the program over the next several decades.

Testimony

Managing DOE: Government Property Worth Millions of Dollars Is Missing, by Victor S. Rezendes, Director of Energy and Science Issues, before the Subcommittee on the Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-94-309, Sept. 19 (10 pages).

GAO's work on property management at Energy Department (DOE) facilities has led to several conclusions. First, a substantial amount of DOE property is missing, probably more than the \$74 million identified in GAO's April 1994 report on 20 major DOE contractors, including the one at Rocky Flats. Second, many weaknesses plague DOE contractors' property management systems, including inadequate property-tracking data bases and a lack of physical protection of DOE's property from theft. Third, DOE has not provided enough oversight of the contractors' property management. For example, many contractors do not have approved property management systems. GAO recognizes that DOE is trying to strengthen property management. Although GAO believes that the resulting changes may help, it will take DOE many years of continual management attention to adequately address all of the complex property management problems it faces.

Health and Safety: Protecting Workers and the Public Continues to Challenge DOE, by Jim Wells, Associate Director for Energy and Science

Issues, before the Subcommittee on Energy, House Committee on Science, Space, and Technology. GAO/T-RCED-94-283, Sept. 22 (19 pages).

This testimony focuses on the Energy Department's (DOE) efforts to protect the health and safety of the workers at its facilities and the people living in neighboring communities. GAO recently issued two reports on two key functions of DOE's Office of Environment, Safety, and Health—health surveillance and nuclear safety oversight. GAO discusses the findings and recommendations of these reports and the steps that DOE has taken in response, as well as outstanding issues concerning the transition of DOE's facilities to regulation by the Occupational Safety and Health Administration.

Environmental Protection

Air Pollution:

FAA's Reliance on Manufacturers for Jet Engine Emission Testing

GAO/RCED-94-99, July 13 (12 pages).

To ensure compliance with jet aircraft emission standards, the Federal Aviation Administration (FAA) relies on manufactures to conduct and report on the results of jet engine emission tests. FAA also relies on its designees—engineers employed by the jet engine manufacturing companies—to ensure that the tests are properly conducted and accurately reported. Although FAA reviews and approves test plans and results, it seldom, if ever, observes the manufacturers conducting such tests. Acknowledging a potential for conflict of interest in the designee system, FAA and the manufacturers have taken several steps to buffer designees from pressures that could compromise their oversight role. For example, FAA appoints as designees manufacturers' employees who have enough authority within their companies to resist pressures to bypass FAA requirements. Also, the manufacturers have aligned their organizational structure so that designees report to managers who are not directly responsible for designing and developing engines.

Superfund:

Improved Reviews and Guidance Could Reduce Inconsistencies in Risk Assessments

GAO/RCED-94-220, Aug. 10 (33 pages).

The Environmental Protection Agency (EPA) is required to assess the risks to human health posed by each of the Superfund program's hundreds of hazardous waste sites. Because EPA uses these risk assessments to determine whether and how sites should be cleaned up, they are a source of considerable scrutiny and controversy. For example, both industry and environmental groups have criticized risk assessments for inconsistently estimating the amount of contamination that persons living near the Superfund sites may have been exposed to. This report reviews 20 of the approximately 70 risks assessments EPA did in 1992. GAO provides information on (1) whether the risk assessments adhered to EPA guidance, (2) whether they varied among the regions and sites, and (3) how EPA monitors the quality and consistency of risk assessments. GAO focused particularly on how risk assessments measured human exposure to hazardous contaminants and calculated the resulting risk. GAO also provides data on the sources of contamination described in these risk assessments and the risks associated with these sources.

**Endangered Species:
Federal Actions to Protect Sacramento River Salmon**

GAO/RCED-94-243, Aug. 15 (12 pages).

During the past 15 years, the population of winter-run chinook salmon returning to spawn in the Sacramento River has declined by 99 percent. The salmon was classified as an endangered species in January 1994. As a result of this listing, the National Marine Fisheries Service must advise federal agencies on how to modify actions that could harm the salmon and must enforce the Endangered Species Act's provisions prohibiting the "taking" of salmon. This report identifies major actions that the Service has taken to protect the salmon. These actions affected the Central Valley Project and nonfederal irrigation districts that divert water from the Sacramento River.

**Environmental Regulation:
Differences Remain Between EPA and OMB Over Paperwork
Requirements**

GAO/RCED-94-254, Aug. 23 (12 pages).

In order to reduce the federal paperwork burden on the public, the Office of Management and Budget (OMB) has been given broad authority over agencies' data collection activities. Agencies must submit requests for

information collection to OMB for approval before they are carried out and periodically thereafter in the case of recurring information collection requests. To further protect the public, agencies are prohibited from penalizing those who fail to maintain or provide requested information if a currently valid OMB control number is not displayed on the agency's information collection request. The Environmental Protection Agency (EPA) recently found that most of its 500 information requests had lapses, or periods of time when EPA did not have OMB approval to collect the requested information. Also, about half of its information collection request control numbers were not displayed in the Code of Federal Regulations, as required. This report discusses (1) EPA's problems in managing its information collection request duties and the enforcement fines and penalties affected by these problems and (2) the causes of these problems, including the effect of OMB's oversight on EPA's efforts to collect information.

**Hazardous Waste:
Issues Pertaining to an Incinerator in East Liverpool, Ohio**

GAO/RCED-94-101, Sept. 9 (144 pages).

About five million tons of hazardous waste are incinerated each year in the United States. About half of this is burned in 20 commercial incinerators and 24 cement kilns that take commercial waste. Public opposition to incineration has been strong in recent years. Some people have become skeptical about the management of commercial incinerators, the ability of government agencies to regulate them, and whether existing laws and regulations adequately protect public health and the environment. A hazardous waste incinerator in East Liverpool, Ohio has become the focus of national attention over the process by which the Environmental Protection Agency (EPA) approved permits for the facility. This report examines (1) the operational control and ownership of Waste Technologies Industries (WTI), which runs the East Liverpool incinerator, and whether its hazardous waste permit is valid; (2) whether EPA and the state of Ohio have complied with regulations for approving and modifying the WTI permits; and (3) EPA's ability to ensure that human health and the environment are protected during the operation of the WTI incinerator.

**Soil and Wetlands Conservation:
Soil Conservation Service Making Good Progress but Cultural
Issues Need Attention**

GAO/RCED-94-241, Sept. 27 (35 pages).

In 1985, Congress created the conservation compliance program to reduce soil erosion and the swampbuster program to prevent the conversion of wetlands to new cropland. The Agriculture Department's Soil Conservation Service (SCS) manages these programs through more than 3,000 field offices at the state and county levels. Although SCS has made considerable progress in placing millions of acres under these environmental programs, Office of Inspector General evaluations have urged SCS to improve (1) the quality of farmers' conservation plans and its decisions identifying wetlands, (2) its related enforcement activities, and (3) the quality and the quantity of information needed to manage and evaluate the programs. Since 1991, SCS has begun a series of reforms to address these three areas. This report discusses whether these reforms will help the agency to better manage these environmental programs and whether additional improvements are necessary to ensure effective management.

Financial Institutions

**Securities Market:
Actions Needed to Better Protect Investors Against
Unscrupulous Brokers**

GAO/GGD-94-208, Sept. 14 (47 pages).

Unscrupulous brokers—persons licensed to sell securities who have seriously breached sales practice rules or who have a history of repeated sales practice violations—can significantly harm investors financially and can erode public confidence in the securities market. Although unable to determine the exact extent to which unscrupulous brokers are operating in the securities industry, GAO obtained data showing that of almost 470,000 active brokers, about 10,000 had at least one formal disciplinary action taken against them for a variety of violations, including sales practice abuse; 816 had three or more disciplinary actions. Precise information on unscrupulous brokers is unavailable because abusive sales practice are often difficult to detect and the Central Registration Depository—a data base maintained by state regulators and the National Association of Securities Dealers—does not describe informal disciplinary

actions taken against brokers and does not provide summary data by type of violation for the disciplinary histories it maintains. Available evidence points to shortcomings in the detection and discipline of unscrupulous brokers. Furthermore, GAO found that some practices contribute to a perception that Securities and Exchange Commission and industry disciplinary actions are lenient. For example, brokers who were permanently barred have been able to reenter the industry. Also, brokers barred from the securities industry are free to work in other financial sectors, such as the banking and insurance industries. GAO summarized this report in testimony before Congress; see:

Securities Markets: Actions Needed to Better Protect Investors Against Unscrupulous Brokers, by James L. Bothwell, Director of Financial Institutions and Markets Issues, before the Subcommittee on Telecommunications and Finance, House Committee on Energy and Commerce. GAO/T-GGD-94-190, Sept. 14 (eight pages).

**Resolution Trust Corporation:
Affordable Housing Disposition Program Achieving Mixed Results**

GAO/GGD-94-202, Sept. 28 (24 pages).

This report reviews the Resolution Trust Corporation's (RTC) Affordable Housing Disposition Program. Specifically, GAO (1) assesses RTC's progress in providing home ownership and rental opportunities for very low-, lower-, and moderate-income families since GAO last reported in September 1992; (2) assesses RTC's procedures for ensuring that purchasers of properties comply with the Program's income and occupancy requirements; and (3) attempts to identify RTC's costs of running the Program. GAO also provides information on the status of RTC's and the Federal Deposit Insurance Corporation's joint plan for continuing the Program after RTC closes in December 1995.

Testimony

Credit Unions: Both Industry and Insurance Fund Appear Financially Sound, by Thomas J. McCool, Associate Director for Financial Institutions and Markets Issues, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-94-142, Sept. 29 (36 pages).

The credit union industry has grown rapidly in recent years and now serves more than 64 million customers. As of June 1994, insured deposits totaled about \$251 billion, nearly 10 percent of all federally insured

deposits. Compared to banks and thrifts, credit unions came through the turbulent 1980s with few problems and the Insurance Fund appears to be well capitalized. However, GAO believes that regular congressional oversight of federally insured credit unions and their regulator—the National Credit Union Administration (NCUA)—is justified. In 1991, GAO issued a comprehensive report (GAO/GGD-91-85) that highlighted regulatory practices and procedures in need of strengthening. GAO made 48 recommendations for change, and NCUA has implemented many of them. This testimony focuses on the condition of the industry, the condition of the Insurance Fund, the increase in the coverage of federal insurance, and recommendations in the 1991 report that have yet to be fully implemented.

Financial Management

Financial Management: Oversight of Small Facilities for the Mentally Retarded and Developmentally Disabled

GAO/AIMD-94-152, Aug. 12 (25 pages).

This report contains baseline information on federal and state oversight of facilities providing residential and other Medicaid funded services to people with mental retardation and developmental disabilities. GAO focuses on small facilities (15 beds or fewer) in three states—Colorado, Michigan, and New York—that were chosen to provide diversity in terms of geographic dispersion and program size. GAO identifies (1) federal and state requirements for financial and program oversight and (2) whether the three states complied with those requirements. GAO also identifies federal and state mechanisms for investigating fraud and abuse and provides examples of what officials in the three states believed were the best ways to prevent financial fraud and ensure quality care.

Financial Management: State's Systems Planning Needs to Focus on Correcting Long-standing Problems

GAO/AIMD-94-141, Aug. 12 (20 pages).

The State Department recognizes that it has serious internal control and financial management problems, and it has set out on the path to change. However, State has not yet positioned itself to make any substantive changes. Without an overall management structure and agencywide information strategy plan to guide the development of the Integrated

Financial Management System, State runs a high risk of perpetuating its long-standing financial management problems, detracting from its ability to meet Chief Financial Officer Act goals of producing auditable financial statements and implementing the standard general ledger, and depriving its managers of the information they need to make sound decisions.

**Navy Inspectors General:
Investigations of Complaints and Inspection Practices
Need Strengthening**

GAO/AIMD-94-128, Aug. 24 (18 pages).

This report responds to congressional concerns about two primary responsibilities of the Navy's Inspector General (IG) organization—resolving complaints received from various sources and inspecting Navy units. The perceived integrity, timeliness, and quality of the complaint process is critical to its success. If persons have doubts about the credibility or effectiveness of the complaint process, they may not report instances of waste or mismanagement. As a result, Congress, the Defense Department (DOD), and the public cannot be sure that allegations are properly examined to minimize waste, mismanagement, and improper activities within the Navy. Navy IG inspections are important because they help to ensure the readiness, the effectiveness, and the efficiency of Navy commands and assess the quantity, the quality, and the management of resources. The Navy IG needs to ensure that established inspection procedures are adhered to and complaint results are used in planning inspections. The Navy IG could also better inform Congress and DOD by more widely distributing inspection results. Also, the Navy IG could benefit from a comprehensive external review by the DOD IG.

**Government Corporations:
CFO Act Management Reporting Could Be Enhanced**

GAO/AIMD-94-73, Sept. 19 (31 pages).

Congress passed the Chief Financial Officers Act of 1990 to improve the federal government's financial management practices, systems, and reporting. Although most of its provisions target executive agencies, the act also broadened audit and management reporting for government corporations. The act strengthened existing audit requirements for government corporations and required each to issue an annual management report to Congress that includes financial statements,

management's statement on internal controls, and the auditor's report on the financial statement. In addition, the act provided for the inclusion of a reconciliation to the corporation's budget report and other information needed to inform Congress about the corporation's operations and financial condition. This report discusses whether the required financial audits for 1992 were done and whether the corporations issued the management reports. GAO identifies the approaches management used to assess internal controls. GAO also determines whether government corporations had enough guidance to effectively implement the act's audit and management reporting requirements.

**Financial Management:
Focused Leadership and Comprehensive Planning Can Improve
Interior's Management of Indian Trust Funds**

GAO/AIMD-94-185, Sept. 22 (56 pages).

For years, the Interior Department has been unable to correct many serious financial management problems affecting the Indian trust funds, including (1) backlogs in land title and beneficial ownership determinations and recordkeeping, (2) failure to ensure that all earned revenues derived from natural resources are collected, (3) improper accounting practices, and (4) limited trust fund investment options. In addition to recent management initiatives to implement needed improvements, additional options would more fully address trust fund management problems. Further, more focused leadership, management commitment, and a comprehensive strategic plan would help Interior to effectively address all of its trust fund management responsibilities.

Testimony

Financial Management: Focused Leadership and Comprehensive Planning Can Improve Interior's Management of Indian Trust Funds, by George H. Stalcup, Associate Director for Financial Integrity Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-AIMD-94-195, Sept. 26 (nine pages).

The Interior Department has initiatives planned or under way to address some of the long-standing problems plaguing management of the Indian trust funds, and additional options exist that could help it make other needed improvements. However, Interior's track record on past attempts at corrective action has not been good. Interior needs a comprehensive

plan, focused leadership, and management commitment if it is to carry through on needed improvements.

Government Operations

Government Management: Preliminary Status Report on National Performance Review Recommendations Implementation

GAO/GGD-94-203R, Sept. 2 (37 pages).

This report provides information on the implementation of the recommendations contained in the National Performance Review's September 1993 report. GAO identifies the extent to which each of the report's 384 recommendations had been implemented. GAO also identifies which of the recommendations involved federal program areas that GAO and the Office of Management and Budget have flagged as "high risk." The results presented in this report should be viewed as preliminary, and GAO plans to issue a final report on the first-year implementation results by the end of 1994.

Small Business: SBA's Health Care Reform Activities

GAO/RCED-94-240, Sept. 6 (36 pages).

In late September 1993, anticipating strong interest in the administration's health care reform proposal, the Small Business Administration (SBA) and the Commerce Department jointly produced a brochure describing how health insurance would be provided and what role small employers would play in financing insurance for their workers under the proposed Health Security Act. GAO concludes that SBA did not violate the statutory prohibition on lobbying by preparing and distributing the brochure. The brochure did not unlawfully lobby for the President's plan because it did not urge businesses to contact Members of Congress to support the plan. Furthermore, SBA has the authority under the Small Business Act to publish and distribute the brochure. When SBA distributed copies of the brochure to the Democratic National Committee (DNC)—one of many recipients of the document—it did not follow customary government procedures for distributing large quantities of agency publications. Government agencies usually do not give large quantities of free publications to private sector organizations; however, SBA initially gave the

DNC 10,000 free copies of the brochure. DNC officials later paid SBA \$5,000 for copies of the brochure.

**Federal Employment:
How Government Jobs Are Viewed on Some College Campuses**

GAO/GGD-94-181, Sept. 9 (57 pages).

GAO discussed the federal government's image and competitive posture among new graduates with placement officials at 13 colleges and universities. GAO also surveyed students who had graduated during the 1991-92 academic year from four other universities. As a rule, the placement officials GAO interviewed said that graduates of their schools had little interest in working for the federal government. The reasons mentioned most often were (1) low, noncompetitive starting salaries; (2) burdensome and lengthy hiring process; (3) inadequate and ineffective federal recruiting; (4) poor image of government work and employees; and (5) lack of information on federal job availability. The graduates responding to GAO's survey tended to confirm the placement officials' views. Overall, more than 75 percent of the 884 respondents who had sought employment or remained in the jobs they had before graduation said that they did not apply for federal jobs. Of the 884 graduates, 224 said that they had not landed suitable jobs at the time they completed their questionnaires. Yet, about 70 percent of these respondents said that they did not seek federal job opportunities. In general, the respondents' views of federal employment were not based on firsthand information. The sources most often cited as the basis for their opinions were "general observations" and "common knowledge." OPM officials said that the findings underscored the need to make the government a more attractive employer. OPM officials described several changes in federal recruiting, hiring, and job information dissemination. The officials stressed, however, that the government is downsizing and there will be fewer opportunities for new college graduates to find federal jobs in the next several years.

**District of Columbia:
Status of Convention Center Project**

GAO/AIMD-94-191, Sept. 15 (14 pages).

The District of Columbia has proposed building a new, larger convention center to better compete for larger conventions and trade shows. The proposal is still in the early stages of development, and the District will

need more information before precise cost and benefit projections can be made. The most recent convention center proposal indicates that the project should be able to generate enough revenue to cover known expenses; however, several unanswered questions could significantly affect these projections. Construction costs are very tentative. The project would be financed through the issuance of revenue bonds backed by specific District taxes. The District's high debt level makes the use of general obligation bonds to finance this project unlikely. The District has outlined the next steps that need to be taken to answer various questions. One key step will be to contract for various studies to better define the project and assess its costs and benefits.

**District of Columbia:
Status of Sports Arena Project**

GAO/AIMD-94-192, Sept. 15 (14 pages).

The District of Columbia has proposed building a sports arena to spur economic development in the city's downtown. The proposal to build the arena is in the early stages of development. The District will need more information on the project before precise cost and benefit projections can be made. The most recent arena proposal suggests that the project should be able to generate enough revenue to cover known expenses; however, several unanswered questions could significantly affect the project. The arena's construction costs are very tentative. Also unclear are the costs to the District for police, who would be needed for traffic control and security in the area, and the specific relationships between the operating entities and the District. For example, it is unclear what impact that sustained losses by the arena would have on the District. The arena would be financed through revenue bonds backed by specific District taxes. The District's high debt level makes the use of general obligation bonds to finance this project unlikely. The District has outlined the next steps that will need to be taken to answer the various questions. One key step will be to contract for various studies to better define the project and assess its costs and benefits.

**Executive Office of the President:
Major Procurements for Calendar Years 1990 to 1993**

GAO/GGD-94-138FS, Sept. 16 (56 pages).

This fact sheet provides information on procurements made by the White House since January 1, 1990. GAO focuses on contracts that were awarded under procedures using other than full and open competition and the reasons for restricting competition. For each major competition made during calendar years 1990 to 1993, GAO provides the date of the procurement; the goods or services acquired; whether the contract was sole or limited sources; and, if so, the reasons for restricting the competition.

**Real Property Management:
Reforms in Four Countries Promote Competition**

GAO/GGD-94-166, Sept. 30 (48 pages).

The General Service Administration (GSA) manages and oversees 268 million square feet of space in about 8,000 buildings. These buildings are known as real property. GAO testified in 1991 that federal buildings and other real property are valuable but undermanaged national assets that are integral to federal departments and agencies for carrying out their operations. GAO also said that long-standing structural and managerial problems limited GSA's ability to strategically acquire and manage its real property assets, effectively support agencies' mission objectives, and maximize the taxpayers' returns on GSA's portfolio of owned or leased buildings. This report examines (1) the reforms that four countries—Australia, Canada, the United Kingdom, and Sweden—made to their real property organizations to address the long-standing problems that were common to the United States and these countries; (2) the results of these reforms to date; and (3) the lessons that the countries learned from these reforms that could be useful to the United States as it introduces reforms to better meet its real property needs.

Testimony

Federal Employment: GAO's Observations on H.R. 4719, The Federal Service Priority Placement Act of 1994, by Timothy F. Bowling, Associate Director for Federal Human Resource Management Issues, before the Subcommittee on Civil Service, House Committee on Post Office and Civil Service. GAO/T-GGD-94-213, Sept. 21 (eight pages).

H.R. 4719 would direct the Office of Personnel Management (OPM) to create an interagency placement program for federal workers who lose their jobs as a result of reductions in force (RIF). Although OPM now requires agencies to give priority to RIFed workers when filling positions

through competitive appointments, H.R. 4719 would broaden this requirement to a governmentwide mandate. GAO fully supports the bill's goal of placing qualified RIFed employees in other federal jobs. However, several questions need to be answered. What types of appointments should the placement program cover and how might it affect agencies' other hiring goals? How much flexibility should agencies be allowed in selecting candidates? Are there other approaches to enhancing the placement program that should be considered?

Federal Employment: The Results to Date of the Fiscal Year 1994 Buyouts at Non-Defense Agencies, by Nancy Kingsbury, Director of Federal Human Resource Management Issues, before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service. GAO/T-GGD-94-214, Sept. 22 (14 pages).

The Federal Workforce Restructuring Act of 1994 authorized buyouts at non-Defense Department agencies to help reduce the federal workforce by more than a quarter million people by 1999. In analyzing the results to date, GAO believes that most buyouts enabled agencies to meet their fiscal year 1994 workforce reduction targets without resorting to reductions in force. However, agencies were to accompany their workforce reductions with comprehensive plans detailing the management reforms and restructuring initiatives they intended to make to achieve the National Performance Review's goals of reinventing government. To the extent that the resubmitted plans may still not meet the administration's expectations, agencies may be trying to meet their downsizing targets without meaningful strategic or workforce planning.

Decennial Census: 1995 Test Census Presents Opportunities to Evaluate New Census-Taking Methods, by William M. Hunt, Director of Federal Management Issues, before the Subcommittee on Census, Statistics, and Postal Personnel, House Committee on Post Office and Civil Service. GAO/T-GGD-94-136, Sept. 27 (13 pages).

This testimony focuses on the Census Bureau's plans for its 1995 Test Census. Specifically, GAO discusses the following changes in census methods that the Bureau plans to incorporate in its 1995 Test Census: (1) new data sources and methods to help compile the census address list, (2) the use of the Postal Service to identify addresses on the Bureau's list that are either vacant or nonexistent, (3) two sampling and statistical estimation methods designed to lower the cost and improve the accuracy of the census, and (4) a new method for counting those persons without a

usual residence. GAO also examines the cost implications of the methods being tested.

Health

Medicaid: States Use Illusory Approaches to Shift Program Costs to the Federal Government

GAO/HEHS-94-133, Aug. 1 (21 pages).

Medicaid, which provides health insurance for low-income persons, is jointly funded by the federal government and the states. Because of soaring health care costs during the past decade, states have been searching for new ways to help finance the \$125 billion Medicaid program. Some states are now using dubious financial arrangements to collect federal funds without committing their own matching amounts, thus increasing the share of Medicaid costs borne by the federal government. This report (1) examines the financial arrangements used by states to inflate the federal share of Medicaid program expenditures, (2) describes the various techniques that states use to obtain federal funds for their basic Medicaid and disproportionate share hospital programs, and (3) looks into whether states are using their federal matching funds to provide medical services to Medicaid patients.

Hospital Compensation: Nationally Representative Data on Chief Executives' Compensation

GAO/HEHS-94-189, Aug. 16 (39 pages).

Hospital-reported data showed that chief executives received an average of \$129,000 in compensation for overseeing hospital operations in 1991. Actual compensation ranged from \$31,000 to \$849,000. Differences in compensation are influenced by the hospital's patient load, the number and the relative size of nearby hospitals, and the hospital's geographic location and ownership type. In general, executive compensation is higher at for-profit hospitals and at hospitals in large cities. Pay is also higher at hospitals with greater financial success, greater numbers of patients discharged, and higher numbers of similarly sized hospitals nearby. Data on executive compensation from related businesses at not-for-profit hospitals showed that relatively few executives received such payments. These payments, however, can be large. Compensation rose from six to

138 percent over the amounts received for hospital administration for the executives who received payments from such related businesses as hospitals and other health care facilities, as well as foundations and property management firms. Dollar amount increases ranged from \$13,000 to \$530,000.

**Medicare:
Changes to HMO Rate Setting Method Are Needed to Reduce
Program Costs**

GAO/HEHS-94-119, Sept. 2 (92 pages).

During the 1980s, the per capita costs of providing health care to the elderly under Medicare increased 59 percent, even after adjusting for inflation. To slow this cost spiral, Congress allowed Medicare to contract with health maintenance organizations (HMO) under an alternative payment system. Medicare's traditional fee-for-service payment method created incentives for overuse of medical care because providers could boost their incomes by encouraging greater use of services. By contrast, HMOs receive an up-front fixed monthly fee for each patient's care instead of a fee for each service. Government researchers and outside analysts, however, have claimed that HMOs can be more expensive than fee-for-service care. These analysts argue that beneficiaries enrolled in Medicare HMOs are healthier (and less costly to care for) than beneficiaries in the fee-for-service sector and that Medicare payments to HMOs do not fully reflect these differences in costs. In addition to this problem, industry representatives and other analysts claim that Medicare payment rates are too low in some areas and show unjustifiably wide variation across geographic boundaries. This report examines Medicare's HMO rate setting methodology to determine the existence and the magnitude of these problems and to review proposed solutions. Specifically, GAO discusses the impact of favorable selection and rate variation on the ability of the Medicare risk contract program to yield cost savings.

**Long-Term Care Reform:
States' Views on Key Elements of Well-Designed Programs for
the Elderly**

GAO/HEHS-94-227, Sept. 6 (32 pages).

State agencies agree widely on the key components of well-designed programs for the elderly. State agencies believe that an elderly person's

ability to perform activities of daily living is the best way to identify persons with the greatest need for services, although states do not uniformly define such activities. To determine service needs, state agencies generally agree that case/care management, a standard assessment instrument, and involvement of the elderly person in the process are most useful. State agencies report that the largest number of severely disabled elderly persons need nonmedical services, such as personal care. State agencies agree that a variety of cost control methods are effective, although there is less consensus about which specific methods work best. Regarding the private sector role in long-term care, state agencies believe that the private sector role could probably reduce government costs, and government interventions might spur private sector activity.

**Health Care Reform:
“Report Cards” Are Useful but Significant Issues Need to
Be Addressed**

GAO/HEHS-94-219, Sept. 29 (62 pages).

As part of the debate over health care reform, Congress is considering requiring health plans to provide prospective purchasers with information on the quality of care they furnish. Presumably, purchasers will use such “report cards” to compare health plans and choose one that provides the desired level of quality and price. Although report cards that compare the performance of competing health care plans could be a positive step in preserving quality and lowering costs, experts disagree about the type and amount of information to be published because such data may not be reliable or valid. Some experts believe that usable report cards can be produced within two to five years if the indicators are limited to those known to be valid and reliable. Others believe that it will be as long as 15 years before highly reliable and valid measures are developed. Several states and groups, such as United HealthCare Corporation and Kaiser Permanente Northern California Region, have already issued report cards on the care they furnish, but no studies have been done on the cards’ validity or reliability. To overcome obstacles to using report cards, most experts recommend that (1) the federal government standardize indicators and the formulas for calculating results and (2) an independent third party verify data before they are published.

Income Security

Social Security: Rapid Rise in Children on SSI Disability Rolls Follows New Regulations

GAO/HEHS-94-225, Sept. 9 (23 pages).

The number of children receiving Supplemental Security Income (SSI) disability benefits has more than doubled during the last four years. Although much of the attention has focused on the Sullivan v. Zebley Supreme Court decision as the cause of this growth—that decision made the Social Security Administration's disability criteria for children less restrictive—GAO found that most of the children receiving new awards would have qualified for them even without the functional assessment process mandated by the Zebley decision. Huge increases in the number of children awarded benefits because of mental impairments account for more than two-thirds of the growth in awards. Most awards to the mentally impaired go to mentally retarded children. Although the portion of mental awards to children with "behavior problems," such as attention deficit hyperactivity disorder, personality disorders, and autism, is growing, it is still relatively small. From February 1991 through 1993, children with "behavior problems" received 22 percent of awards made to children with mental impairments.

Social Security: Trust Funds Can Be More Accurately Funded

GAO/HEHS-94-48, Sept. 2 (37 pages).

Each year, the social security trust funds are credited with revenues derived from income taxes paid on social security benefits. But do they get the right amount? GAO reports that the social security trust funds' revenues could be increased by recognizing additional taxes identified through the Internal Revenue Service's (IRS) efforts to locate underreported taxable income and through better detection of underreported tax-exempt interest. Recognizing additional taxes identified by IRS could have boosted the trust funds by more than \$200 million in tax revenue and investment income for tax years 1984 to 1989. Further, data from the Federal Reserve and the Investment Company Institute indicate that taxpayers may have underreported an estimated \$7.2 billion in tax-exempt income on their 1989 tax returns.

Testimony

Social Security: GAO's Analysis of the Notch Issue, by Joseph F. Delfico, Director of Income Security Issues, before the Commission on the Social Security Notch Issue. GAO/T-HEHS-94-236, Sept. 16 (five pages).

GAO has been studying the Notch issue for more than eight years and has testified before Congress many times. This testimony briefly covers the critical matters that GAO believes the Commission must deal with in addressing the Notch issue in 1994. In summary, GAO concludes that retirees in the notch group who claim an inequity are comparing themselves to a group of retirees who received benefits based on an overgenerous formula. If Congress chooses to pursue legislation, it should consider several factors, particularly the cost of financing any legislation.

Information Management

Attack Warning: Status of the Cheyenne Mountain Upgrade Program

GAO/AIMD-94-175, Sept. 1 (12 pages).

Colorado's Cheyenne Mountain complex is designed to track and warn of enemy air attacks. The Air Force program to modernize aging computer systems at the facility is eight years behind schedule and \$792 million over budget. Air Force officials now project that the completion date will slip by another three years and that development costs will increase by at least \$104 million. Both projections, GAO believes, may be understated. Moreover, major subsystem incompatibilities could prevent the upgraded system from becoming fully operational.

Social Security Administration: Risks Associated With Information Technology Investment Continue

GAO/AIMD-94-143, Sept. 19 (40 pages).

The Social Security Administration's (SSA) proposed acquisition of intelligent workstations, i.e., personal computers, and local area networks has not been driven by plans identifying how and where SSA can best use its new technology and other resources to handle increasing workloads and improve public service. SSA ultimately plans to introduce a system of more than 90,000 personal computers and 27,000 local area networks at a cost of billions of dollars. GAO has encouraged recent SSA efforts to reengineer its disability determination process and set overall service

delivery goals because they are important steps in identifying future resource needs. However, national implementation of intelligent workstations and local area networks is proceeding independently of these initiatives and is at risk because SSA has not adequately defined its technology needs.

**Information Superhighway:
Issues Affecting Development**

GAO/RCED-94-285, Sept. 30 (76 pages).

Congress is now considering landmark telecommunications legislation. As the same time, the administration views recent technological advances in telecommunications as an opportunity to build an information superhighway that will place voice, data, and video information at consumers' fingertips. Increased competition in telecommunications could spur private investors to build the superhighway, but existing telecommunications laws and court orders could limit or prohibit some telecommunications competition. This report provides an overview of several major issues facing Congress as it considers the telecommunications legislation. GAO discusses (1) managing the transition to a more competitive local telecommunications marketplace; (2) ensuring universal service in a competitive marketplace; and (3) ensuring network security, privacy, reliability, and interoperability.

International Affairs

**International Trade:
Impact of the Uruguay Round Agreement on the Export
Enhancement Program**

GAO/GGD-94-180BR, Aug. 5 (50 pages).

Seven years of negotiations culminated recently in the "Uruguay Round" of the General Agreement on Tariffs and Trade, whose signatories agreed to discipline the use of trade-distorting practice, such as tariffs and subsidies. GAO concludes that the proposed Uruguay Round trade agreements would require that the United States reduce its agricultural export subsidies beginning in 1995, raising questions about whether the goals and objectives of the Export Enhancement Program—which is designed to pressure U.S. agricultural competitors—need to be revised. Specifically, this report identifies the (1) likely impact of the Uruguay Round on U.S. agricultural export programs and (2) proposals by industry participants

and interest groups that Congress could consider for changing the Export Enhancement Program and other agricultural trade programs run by the Agriculture Department's Foreign Agricultural Service.

**International Trade:
Coordination of U.S. Export Promotion Activities in Pacific
Rim Countries**

GAO/GGD-94-192, Aug. 29 (20 pages).

In recent years, Congress has been concerned about the lack of coordination among federal agencies that conduct export promotion activities. This report identifies (1) the nature of export promotion activities in Pacific Rim countries by U.S. agencies—primarily the Departments of Commerce, Agriculture, and State, and the U.S. Agency for International Development and (2) the extent to which the programs are coordinated among U.S. agencies within each market. In addition, GAO provides information on the role that single, consolidated country commercial plans could play as part of an overall, governmentwide strategic plan to promote exports. GAO's review included U.S. embassies and consulates in China, Hong Kong, Indonesia, Malaysia, Singapore, and Thailand, as well as the American Institute in Taiwan.

**Cargo Preference Requirements:
Objectives Not Significantly Advanced When Used in U.S. Food
Aid Programs**

GAO/GGD-94-215, Sept. 29 (160 pages).

"Cargo preference" is the reservation of government-financed or -sponsored oceangoing cargos specifically for U.S.-flag ships. Due to cargo preference requirements, the government has spent an additional \$600 million during the past three years to transport food aid on U.S.-flag ships rather than on lower-cost foreign flag ships. The objective of the cargo preference is to help maintain a U.S. merchant marine to (1) serve as a naval and military auxiliary in times of war or national emergency and (2) carry a substantial portion of U.S. domestic and foreign waterborne commerce. However, the U.S.-flag ships carrying the majority of the food aid tonnage are not viewed as militarily useful by the Defense Department. In addition, all domestic waterborne commerce, i.e., cargos shipped between U.S. ports, are required to be carried by U.S.-flag ships. As for foreign commerce, U.S.-flag ships now carry only about four percent of all

cargo shipped into and out of the United States, and food aid cargos account for less than one-fourth of that four percent. GAO also found that cargo preference requirements harm the operations of the food aid programs. GAO summarized this report in testimony before Congress; see:

Cargo Preference Requirements: Objective Not Met When Applied to Food Aid Programs, by Allan I. Mendelowitz, Director of International Trade, Finance, and Competitiveness Issues, before the Subcommittee on Foreign Agriculture and Hunger, House Committee on Agriculture. GAO/T-GGD-94-212, Sept. 29 (24 pages).

Justice and Law Enforcement

Civil Debt Collection: Justice's Private Counsel Pilot Program Should Be Expanded

GAO/GGD-94-195, Sept. 14 (40 pages).

Under its private counsel debt collection program, the Justice Department has contracted with private counsel firms in a number of judicial districts to litigate and collect nontax delinquent civil debts. The purpose of the pilot program is to see whether private counsels can reduce civil case backlogs in U.S. Attorney offices and can cost-effectively collect such delinquent debts. GAO found that the program has generally been successful. Through September 1992, private counsel firms and U.S. Attorney offices participating in the pilot program in seven federal judicial districts collected \$122.5 million in debt, at a total estimated cost of \$5.3 million. GAO concludes that private counsel firms were cost effective in collecting nontax civil debt. Although U.S. Attorney offices collected more money than private counsel firms, the latter closed more cases at a lower unit cost. Private counsel firms helped work through the existing debt caseload, addressing both large numbers of the debt collect cases that were backlogged at the program's inception and later handling most of the newly referred cases. Most importantly, private counsel firms worked cases and collected debt that U.S. Attorney offices might not have otherwise addressed because of their workloads. In GAO's view, allowing Justice the option of contracting with private counsel firms to help with debt collection when necessary is a generally positive approach to addressing the civil debt collection problem.

Testimony

Employer Sanctions: Comments on H.R. 3362—Employer Sanctions Improvement Act, by Laurie Ekstrand, Associate Director for

Administration of Justice Issues, before the Subcommittee on International Law, Immigration and Refugees, House Committee on the Judiciary. GAO/T-GGD-94-189, Sept. 21 (18 pages).

H.R. 3362, the proposed "Employer Sanctions Improvement Act of 1993," would (1) promote the enforcement of employer sanctions by encouraging states and individuals to participate in enforcement programs and (2) improve the employment verification system by reducing the number of documents that persons use to establish work eligibility and identification. GAO agrees with the bill's goals but believes that a proliferation of employer sanction laws and programs across states may not be the best way to have the states enforce employer sanctions. This testimony offers some alternatives.

National Defense

Naval Aviation: F/A-18 E/F Acquisition Strategy

GAO/NSIAD-94-194, Aug. 18 (eight pages).

In May 1992, the Under Secretary of Defense for Acquisition approved the Navy's request that the F/A-18 E/F development be designated as a major modification of its existing F/A-18 C/D, instead of a new program. He decided that acquisition regulations did not require a Cost and Operational Effectiveness Analysis for this modification, and he waived certain live fire testing requirements. The Under Secretary based his decision on (1) Navy analyses that indicated that the E/F development was a low to moderate risk and (2) recommendations made by the Conventional Systems Committee of the Defense Acquisition Board. To minimize development time and reduce costs, defense acquisition regulations allow management discretion in these matters. By treating this as a modification, some steps normally followed for new acquisitions have been skipped. GAO is not in a position to conclude whether the decisions made thus far will help or harm the program.

Environmental Compliance: DOD Needs to Better Identify and Monitor Equipment Containing Polychlorinated Biphenyls

GAO/NSIAD-94-243, Aug. 24 (28 pages).

From 1929 to 1975, an estimated 1.4 billion pounds of polychlorinated biphenyls (PCB) were produced in the United States. The military services have large amounts of PCBs in equipment, such as electrical transformers and capacitors, on their installations. However, because the Defense Department (DOD) has not provided specific guidance on the identification and replacement of PCB items, each service has been free to establish its own program. Accordingly, service efforts to identify and replace PCB items vary considerably. More than 15 years after enactment of the Toxic Substances Control Act, which deemed PCBs a threat to human health and restricted the manufacture of items containing PCBs, some military installations are still not meeting the Environmental Protection Agency (EPA) regulations on monitoring, storing, and disposing of PCB items. GAO found (1) improper storage of PCB items, (2) transformers with previously undetected leaks, (3) inadequate monitoring of known PCB items, (4) slow responses to PCB spills, and (5) inadequate or incomplete documentation for PCB disposals. Although EPA periodically inspects some installations, the correction of deficiencies was basically left to the individual installation, and some had been slow to begin and complete corrective action.

**Environmental Cleanup:
Better Data Needed for Radioactively Contaminated Defense Sites**

GAO/NSIAD-94-168, Aug. 24 (14 pages).

The Defense Department's (DOD) identification of radiologically contaminated sites and their cleanup relies on data that often are outdated, inaccurate, and incomplete. The list of 420 low-level radioactive sites that DOD gave Congress in 1992 and 1993 was inaccurate because the services had double-counted some sites and not identified others. In addition, Defense Logistics Agency sites and former defense sites, managed by the Army Corps of Engineers, were omitted. DOD monitoring of status at known sites was impeded because neither it nor the services recorded such basic data as the amount of radioactivity, and the data they did record were often inaccurate and outdated. DOD's database included only general categories of contaminants at sites, such as low-level radiation, but could not identify specific contaminants or quantities. For example, significant data on plutonium contamination at Johnston Island were omitted in both DOD and Air Force data. More specific information would better help identify the types of contamination that exist, the types of required cleanup, and potential risks associated with continued contamination and with cleanup efforts.

1995 Budget:

Potential Reductions to the Operation and Maintenance Programs

GAO/NSIAD-94-246BR, Sept. 6 (24 pages).

This briefing report evaluates the Pentagon's fiscal year 1995 operation and maintenance budget, which funds everything from pilot training to spare parts. GAO reviewed selected operation and maintenance accounts for U.S. Army, Europe; U.S. Forces Command; U.S. Air Forces, Europe; Air Combat Command; Air Material Command; and the Atlantic and Pacific Fleets. GAO also reviewed selected accounts at the headquarters, Army, Navy, Air Force, and Defense activities. GAO concludes that the operation and maintenance request for fiscal year 1995 could be cut by \$4.5 billion without affecting military readiness.

1995 Defense Budget:

Potential Reductions and Rescissions in RDT&E and Procurement Programs

GAO/NSIAD-94-255BR, Sept. 8 (117 pages).

GAO reviewed the Defense Department's fiscal year 1995 budget request and prior years' appropriations for research, development, test, and evaluation and procurement programs. GAO's review found that schedule delays, changes in program requirements, and issues that have arisen since the defense budget request was developed provide an opportunity to trim the funding levels for fiscal year 1995 by about \$2.3 billion as well as for prior years' appropriations by about \$1.3 billion. GAO also identified amounts that Congress may want to restrict for obligation until specified criteria are met. Of the totals, GAO identified nearly \$844 million in potential budget reductions to the military's research, development, test, and evaluation budget request for fiscal year 1995. GAO also found potential rescissions of about \$115 million to prior year's appropriations.

B-2 Bomber:

Costs to Complete 20 Aircraft Is Uncertain

GAO/NSIAD-94-217, Sept. 8 (19 pages).

Problems with the technology of the B-2 Stealth bomber, including its sophisticated radar systems and computer software, coupled with testing delays, could push acquisition costs for 20 aircraft above the \$44 billion

ceiling imposed by Congress. Although the Air Force believes that the B-2 acquisition program can be completed within the total program cost limitation, the Air Force has not prepared documentation describing its analysis, assumptions, and rationale for the estimate. GAO believes that major uncertainties surround completion of the B-2 acquisition within the cost limitation. About 57 percent of the planned flight test hours are not yet completed and testing to date has highlighted problems that have not yet been corrected. Additional performance problems could crop up during the remaining testing that would boost program costs.

Force Structure:

Cost of Two Additional Army Divisions Could Be Significant

GAO/NSIAD-94-238BR, Sept. 12 (16 pages).

By retaining 12 divisions rather than the 10 recommended by the Defense Department's Bottom Up Review, the Army would incur additional expenses during fiscal years 1995-99 of anywhere from \$1.2 billion to more than \$4.9 billion, depending on how it decided to staff the two divisions. One option would be for the Army to staff these components by transferring military personnel from noncombat military positions to positions in the division base and echelons above division and hiring civilians to fill the vacant noncombat jobs. This option would entail additional Army payroll costs of about \$3.7 billion. Another option would be for the Army to staff the division bases and echelons above division by drawing from other existing combat units. Although the Army would not incur any salary costs under this option, the Army views it as undesirable because it would deplete the Army's force structure. It is possible that the Army could incur an additional \$4.9 billion over a notional six-year time period because retaining two additional divisions precludes the Army from closing two division installations.

Strategic Airlift:

Further Efforts Can Be Taken to Extend Aircraft Service Life

GAO/NSIAD-94-222, Sept. 15 (16 pages).

The C-141 aircraft, which has been the backbone of the military's airlift fleet, is nearing the end of its service life and has been under severe flight restrictions in recent years. The Air Mobility Command has temporarily expanded the use of commercial and tanker aircraft for regularly scheduled cargo and passenger missions. It also plans to upgrade its

strategic airlift simulator capacity, which will allow it to do more in-aircraft training. The Command, however, can do more. First, it can continue to use commercial and tanker aircraft to fly scheduled missions not requiring the unique capabilities of the C-141. Second, the Command can make maximum use of the upgraded simulators by transferring more of the air refueling and local proficiency training from the C-5 and C-141. Moreover, it can institute a companion trainer aircraft program for the C-5 and C-141. That involves flying smaller, less-costly aircraft for training that does not require larger aircraft and would be similar to programs that the Air Force already has and Command has for tanker aircraft.

**Battlefield Automation:
Requirements Need to Be Updated Before the Air Defense System
Is Produced**

GAO/NSIAD-94-213, Sept. 22 (31 pages).

This report is based on GAO's follow-up review of the Army's efforts to acquire a \$1.1-billion command, control, and intelligence (C2I) system as part of its forward area air defense system. This C2I system consists of a ground-based sensor to detect and track aircraft and computer hardware and software to process that information. Despite the Defense Department's direction, the Army has not redefined the C2I system requirements and may also award a \$59-million low-rate initial production contract before it receives the results of operational testing. As a result, the Army could be committing to the procurement of an unproven system that may not be justified.

**Army Acquisition:
Commercial Components Used Extensively in Tactical Trucks**

GAO/NSIAD-94-240, Sept. 26 (13 pages).

Key operational requirements prevent the Army from buying pure commercial or off-the-shelf trucks to meet its tactical truck needs. However, the Army is making extensive use of commercial technology and commercial components in the tactical trucks it buys. For the four tactical truck systems reviewed, GAO found that the manufacturers used commercial trucks as baselines for their systems and generally used commercial manufacturing practices and components to produce tactical trucks. In addition to such operational requirements as tactical mobility, deployability, transportability, and survivability, Defense Department and

Army policies place demands on contractors beyond what are found in the commercial marketplace. For example, contractors must undergo rigorous testing procedures, develop more detailed technical manuals, use standard parts already in the Army's inventory system, and adopt military quality standards.

Testimony

Human Experimentation: An Overview on Cold War Era Programs, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSIAD-94-266 (20 pages).

During World War II and the Cold War, the Defense Department (DOD) and other agencies conducted extensive radiological, chemical, and biological research programs. Precise information on the number of tests, experiments, and participants is unavailable and the exact numbers may never be known. However, GAO has identified hundreds of experiments in which hundreds of thousands of people were used as test subjects. These experiments often involved hazardous substances, such as radiation, blister and nerve agents, biological agents, and LSD. In some cases, basic safeguards to protect people were either not in place or were not followed. Some tests and experiments were done in secret, and others involved the use of people without their knowledge or consent or their full knowledge of the risks involved. The effects of the experiments are hard to determine. Although some participants suffered immediate injuries and some died, in other instances health problems did not surface until 20 or 30 years later. It has proven difficult for participants in government experiments between 1940 and 1974 to pursue claims because little centralized information is available to prove participation or determine whether health problems resulted from the testing. Government experiments with human subjects continue today. For example, the Army uses volunteers to test new vaccines for malaria, hepatitis, and other exotic diseases. Since 1974, however, federal regulations have required (1) the formation of institutional review boards and procedures and (2) researchers to obtain informed consent from human subjects and ensure that their participation is voluntary and based on knowledge of the potential risks and benefits.

Natural Resources

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach

GAO/RCED-94-111, Aug. 16 (87 pages).

The “ecosystem” approach to managing the nation’s lands and natural resources stresses that plant and animal communities are interdependent and interact with their physical environment to form ecosystems that span federal and nonfederal lands. GAO found that the four primary federal land management agencies—the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, and the Forest Service—have started to implement ecosystem management. In addition, the administration’s fiscal year 1995 budget request includes \$700 million for ecosystem management initiatives. GAO recognizes that, compared with the existing federal approach to land management, ecosystem management may require greater flexibility in planning; in budgeting, authorizing, and appropriating funds; and in adapting management on the basis of new information. However, GAO believes that if ecosystem management implementation is to move forward, it must advance beyond unclear priorities and broad principles. Clear goals and practical steps for implementing ecosystem management need to be established and progress in implementing this approach needs to be regularly assessed and reported. GAO summarized this report in testimony before Congress; see:

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Oversight and Investigations, House Committee on Natural Resources, the Subcommittee on Environment and Natural Resources, House Committee on Merchant Marine and Fisheries, and the Subcommittee on Specialty Crops and Natural Resources, House Committee on Agriculture. GAO/T-RCED-94-308, Sept. 20 (nine pages).

National Park Service: Reexamination of Employee Housing Program Is Needed

GAO/RCED-94-284, Aug. 30 (38 pages).

Since 1916, the National Park Service has provided rental housing in parks to many of its employees. The Park Service has an inventory today of about 4,700 housing units. Nearly half of the housing inventory is more

than 30 years old. Park Service estimates of what it would cost to repair, rehabilitate, or replace this housing inventory have increased significantly during the past several years; the total estimate is now more than half a billion dollars. This report (1) describes the Park Service's housing program and compares it with the housing programs run by two other large land management agencies—the Forest Service and the Bureau of Land Management—and (2) identifies options available to the Park Service to deal with its housing problems.

**Forest Service:
Management of Reforestation Program Has Improved, but
Problems Continue**

GAO/RCED-94-257, Sept. 15 (38 pages).

In the 1930 Knutson-Vandenberg Act, Congress attempted to sustain the nation's forests by establishing a fund—today totaling more than \$800 million—to reforest, improve timber stands, and improve other renewable resources in timber sale areas that have been harvested. The Forest Service annually collects about \$230 million from timber purchasers for reforestation and other activities and deposits it in the fund. In response to congressional concerns over the adequacy of Forest Service control of this money and its use for appropriate projects, GAO reviewed the Forest Service's management of the fund. This report describes (1) how the Forest Service plans, implements, and manages Knutson-Vandenberg projects and (2) what changes the Forest Service has made since 1990 in response to previous internal and Office of Inspector General reviews of the program and what additional changes may be necessary.

**Mineral Resources:
Federal Coal-Leasing Program Needs Strengthening**

GAO/RCED-94-10, Sept. 16 (118 pages).

In 1976, only 59 of the 533 existing federal coal leases were producing coal. In response, Congress passed legislation to discourage the speculative holding of federal coal leases and to encourage the development of leased coal. Yet GAO found that the Bureau of Land Management (BLM) has taken actions that do not further these goals. For example, BLM has issued 36 federal oil, gas, and coal leases to an unqualified lessee. This report assesses Interior's actions to (1) encourage

the development of federal coal leases, (2) address the cumulative environmental impacts of additional coal leasing, and (3) consider projected demand in coal-leasing decisions.

**Water Markets:
Increasing Federal Revenues Through Water Transfers**

GAO/RCED-94-164, Sept. 21 (30 pages).

Most water in the arid western United States delivered through federal projects is used for agriculture, but the demand for water for urban, recreational, and environmental uses is growing. The federal government plays a role in water management in the arid West mainly through water resource projects. Water transfers, in which rights to use water are bought and sold, are seen by many resource economists as a way to reallocate scarce water to new users by allowing those who place the highest economic value on it to purchase it. Those who want more water, such as municipalities, often are willing to pay considerably higher prices for it than the current users, and irrigators who receive subsidized water from federal projects may want to transfer this water to a municipality at a profit. At the same time, these transactions may allow the Bureau of Reclamation to share in the profits. This report examines (1) whether water transfers will boost revenues, (2) how the Bureau could increase its revenues from transferred water, and (3) what issues the Bureau should consider in setting prices for transferred water.

**Science, Space, and
Technology**

**NASA Procurement:
Challenges Remain in Implementing Improvement Reforms**

GAO/NSIAD-94-179, Aug. 18 (46 pages).

In recent years, NASA has experienced a variety of development and performance problems with expensive space hardware. These problems have been a primary impetus behind the mounting Congressional pressures for NASA to improve its procurement practices. NASA has partly or fully implemented all but one of the eight key procurement management improvement initiatives it was working on in June 1993. Some were developed slowly and implemented quickly or achieved goals ahead of schedule. GAO questions whether some of the initiatives will be fully effective as a result of planning and implementation problems. Specifically, (1) the proposed contractor liability policy will be hard to

administer, may produce higher contract prices, and could harm subcontractors who are unwilling or unable to risk increased liability; (2) the potential effect of the proposed contractor liability policy on small and disadvantaged businesses has not been evaluated; and (3) the policy guidance for the training of contracting officers' technical representatives is incomplete.

Social Services

Testimony

Child Care: Current System Could Undermine Goals of Welfare Reform, by Jane L. Ross, Associate Director for Income Security Issues, before the Subcommittee on Human Resources, House Committee on Education and Labor, and the Congressional Caucus for Women's Issues. GAO/T-HEHS-94-238, Sept. 20 (12 pages).

Although almost 10 million children are on welfare today, the existing welfare system requires few of their parents to be in school or training. Welfare reform proposals, however, would require many more welfare recipients to participate in education or training as well as require them to find work after two years. Should such proposals be enacted, many more welfare parents will need child care subsidies. Yet only a small fraction of eligible parents have received child care subsidies. Furthermore, the fragmented nature of child care funding—with entitlements to some client categories, time limits on others, and activity limits on others—produces unintended gaps in services. This limits the ability of low-income families to become self-sufficient. Finally, as states deplete funds for welfare clients, they often turn to funds earmarked for the child care needs of the working poor, putting the working poor at greater risk of welfare dependency. For all of these reasons, GAO believes that welfare reform's goal of economic independence for the poor could be undermined if the problems in the child care subsidy system are not adequately addressed.

Tax Policy and Administration

Tax Administration: IRS Can Better Pursue Noncompliant Sole Proprietors

GAO/GGD-94-175, Aug. 2 (37 pages).

Noncompliance in reporting sole proprietor income represents a major challenge for the Internal Revenue Service (IRS). Such noncompliance spreads over a majority of the estimated 13 million sole proprietors and creates an estimated income tax gap—the difference between the amount of income taxes owed and the amount voluntarily paid—of \$34 billion a year. During the past 15 years, sole proprietors rate of noncompliance has fluctuated with little evidence that IRS' current compliance efforts will lead to significant improvements. This report (1) analyzes the extent of noncompliance by type of sole proprietor, (2) reviews steps that IRS is taking to correct such noncompliance, and (3) identifies additional steps that IRS could take to improve compliance.

Testimony

Undelivered Tax Refunds: IRS' Handling of Undelivered Income Tax Refund Checks, by Natwar M. Gandhi, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-GGD-94-186, Sept. 26 (five pages).

Undelivered income tax refunds are those that the Postal Service returns to the Department of the Treasury's Regional Finance Centers that issued them. The Internal Revenue Service (IRS) generally locates most of the taxpayers who are due these refunds and sends the refunds to them. For those taxpayers who are not located, IRS credits the refund amount to each taxpayer's account for future action should the taxpayer contact IRS about their refund or file a subsequent tax form with a new address. This testimony focuses on the extent and causes of undeliverable refunds, IRS' efforts to resolve undeliverable refunds, and IRS' continuing efforts to reduce undeliverable mail.

Transportation

Highway Infrastructure: Quality Improvements Would Safeguard Billions of Dollars Already Invested

GAO/RCED-94-198, Sept. 19 (77 pages).

Federal, state, and local governments will need to spend about \$50 billion annually through the year 2011 to maintain the nation's highway infrastructure. This figure substantially exceeds the \$26 billion spent in 1991 for construction and capital repairs for highways built with federal assistance. These funding levels make it imperative that investments in

federal-aid highways be cost-effective. This report (1) reviews states' experiences with using warranties in highway contracts and the factors that promote or discourage the use of such warranties, (2) identifies efforts to provide adequate maintenance for federal-aid highways, and (3) identifies opportunities for improving states' procedures for selecting pavement designs.

Testimony

Longer Combination Vehicles: Potential Infrastructure Impacts, Productivity Benefits, and Safety Concerns, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Surface Transportation, Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-94-306, Sept. 14 (13 pages).

At least 14 states and six turnpike authorities allow limited operations of long multiple-trailer trucks, commonly referred to as longer combination vehicles. These vehicles can transport a cargo at less cost than shorter combinations because fewer tractors and drivers are needed and less fuel is used. This testimony focuses on three longer combination vehicle issues: (1) the economic impact on infrastructure—pavements, bridges, and interchanges—that result from expanded longer combination vehicle operations; (2) the potential benefits from and industry's use of longer combination vehicles; and (3) the safety of longer combination vehicle use.

Veterans Affairs

Veterans' Health Care: A Profile of Married Veterans Using VA Medical Centers in 1991

GAO/HEHS-94-223FS, Aug. 26 (37 pages).

In a March 1994 report (GAO/HEHS-94-113FS), GAO profiled veterans who used medical centers run by the Department of Veterans Affairs (VA). That report focused on veterans' family incomes and showed how family income varied in relation to a range of characteristics, including employment status. This fact sheet examines married veterans, analyzing the percentage of family income attributable to veterans and spouses and comparing married veterans' incomes with those of single veterans. In addition, this fact sheet further refines veterans' employment status to differentiate between veterans receiving employee compensation and those with self-employment income.

**Veterans' Benefits:
Lack of Timeliness, Poor Communication Cause Customer
Dissatisfaction**

GAO/HEHS-94-179, Sept. 20 (57 pages).

In fiscal year 1993, the Department of Veterans Affairs (VA) provided nearly \$19 billion in nonmedical benefits to veterans and their families. In 1993, GAO surveyed 1,400 recent applicants for VA nonmedical benefits nationwide. Although most applicants were satisfied with VA's services, more than one-third were unhappy with VA's handling of their claims. The time it takes VA to process claims was by far the greatest source of applicants' dissatisfaction. Communication with VA was another major concern for applicants. Many customers said that they were dissatisfied, whether the communication was by mail, by phone, or in person. For example, 40 percent of those who visited a VA office said that they did not get the information they needed. The need to resubmit documents to VA also inconvenienced applicants. GAO's study pointed out two other factors that may hold significant implications for VA's efforts to improve customer satisfaction. First, applicants whose claims were denied represented a significant portion—36 percent—of VA's customers. VA knows very little about who those applicants are, why their claims were denied, or what it could do to help these people. Second, 60 percent of VA customers received service from sources over which VA has no authority, such as state and county veterans offices and veterans service organizations.

**Veterans' Health Care:
Implications of Other Countries' Reforms for the United States**

GAO/HEHS-94-210BR, Sept. 27 (56 pages).

Reform of the nation's health care system would have a major impact on the Department of Veterans Affairs (VA) health care system, one of the nation's largest direct delivery systems. Health care reform would give many uninsured and poor veterans the freedom to choose between VA and other health care providers. This would likely cause many veterans to leave the system unless it changes or VA benefits change to encourage those now in the system to stay or those outside the system to start using VA facilities. Without such changes, VA would likely lose nearly 50 percent of its acute hospital workload. This report studies changes in veterans health care systems and benefits in other countries that implemented universal health care systems. GAO limited its review to four

countries—Australia, Canada, Finland, and the United Kingdom—that ran separate direct delivery systems for veterans when they instituted universal health care.

Special Publications

GAO Reports:

Health, Education, Employment, Social Security, Welfare, and Veterans Issues

GAO/HEHS-94-233W, Sept. 1994 (64 pages).

This booklet lists GAO documents issued on government programs related to health, education, employment, social security, welfare, and veterans issues, which are primarily run by the Departments of Health and Human Services, Labor, Education, and Veterans Affairs. One section identifies reports and testimonies issued during the past two months and summarizes key products. Another section lists all documents published during the past two years, organized chronologically by subject. Order forms are included.

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